

Message Text

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ORIGIN EB-06

INFO OCT-01 EUR-08 ISO-00 EA-06 FEA-01 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-05 INT-05 L-01 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-02 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01

USIA-06 PRS-01 /087 R

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P R 250303Z OCT 74

FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA PRIORITY

INFO AMEMBASSY WELLINGTON

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA

AMEMBASSY OSLO

AMEMBASSY HELSINKI

USMISSION EC BRUSSELS

AMEMBASSY MADRID

AMEMBASSY LONDON

AMEMBASSY LISBON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY REYKJAVIK

AMEMBASSY PARIS

AMEMBASSY COPENHAGEN

AMEMBASSY VIENNA

AMEMBASSY DUBLIN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

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AMEMBASSY BERN

AMEMBASSY STOCKHOLM
AMEMBASSY ATHENS
AMEMBASSY ANKARA
USMISSION OECD PARIS

C O N F I D E N T I A L STATE 235249

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: INTERNATIONAL ENERGY PROGRAM - AUSTRALIA

1. DEPT BRIEFED AUSTRALIAN IEP FACT-FINDING TEAM OCTOBER 21 AND RESPONDED TO NUMEROUS QUESTIONS. AUSTRALIANS NOTED THAT THEIR TRIP TO EUROPEAN CAPITALS AND WASHINGTON REFLECTS STRONG GOA INTEREST IN IEP. THEY STATED THAT NO DECISION YET TAKEN WITHIN GOVT ON EITHER IEP OR OECD COUNCIL DRAFT DECISION, AND THAT THEY WOULD PREPARE COMPREHENSIVE REPORT UPON RETURN TO CANBERRA WHICH WOULD SERVE AS BASIS FOR GOVT DECISION. THEIR PENETRATING AND DETAILED QUESTIONING CONFIRMED A CAREFUL PREPARATION AND GENERALLY GOOD UNDERSTANDING OF IEP. THE THRUST OF THEIR INQUIRIES SUGGESTED SOME DOUBTS ABOUT CERTAIN ASPECTS OF THE AGREEMENT, PARTICULARLY THE EMERGENCY SHARING PROGRAM, COUNTERBALANCED BY A STRONG INTEREST IN THE LONG-TERM COOPERATION PROGRAM.

2. REGARDING THE OIL ALLOCATION SCHEME, AUSTRALIANS QUESTIONED WHAT BENEFITS IT COULD OFFER OIL PRODUCING COUNTRIES EXCEPT IN CASE OF SELECTIVE EMBARGO AGAINST ONE OF THEM. WE RESPONDED BY NOTING THAT U.S., WHICH IS 60 PERCENT SELF-SUFFICIENT, WOULD NEVERTHELESS BE BETTER OFF WITH THE IEP THAN WITHOUT IT IN A NUMBER OF HYPOTHETICAL SUPPLY CUTBACK SITUATIONS. OBVIOUSLY A NET EXPORTER LIKE NORWAY WOULD NEVER HAVE ALLOCATION RIGHTS, ALTHOUGH ITS

ALLOCATION OBLIGATIONS WOULD BE FINITE AND LIMITED.

3. A NUMBER OF QUESTIONS WERE POSED ON LONG-TERM COOPERATION PROGRAM, SUGGESTING THAT AUSTRALIANS CONCERNED ABOUT POTENTIAL COST OF BEING "LEFT OUT" OF
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THIS EFFORT, WHICH WE SINGLED OUT AS PROBABLY THE MOST IMPORTANT PART OF IEP OVER MEDIUM TERM. WE NOTED THAT ALTHOUGH NON-IEP COUNTRIES MIGHT CONCEIVABLY HAVE ACCESS TO SPECIFIC MULTILATERAL PROJECTS, THEY WOULD CLEARLY HAVE NO INFLUENCE OVER THEM, BEING OUTSIDE THE NEW ENERGY AGENCY. IN RESPONSE TO THEIR PROBE, WE DISCOURAGED ANY HOPE OF ADHERING TO LONG-TERM PROGRAM WHILE REJECTING EMERGENCY SHARING MEASURES. WE EMPHASIZED THAT IEP WAS

OUTCOME OF AN INTENSIVE NEGOTIATION BETWEEN 12 COUNTRIES INVOLVING A NUMBER OF TRADE-OFFS AND THAT IT MUST BE VIEWED AS UNIFIED PACKAGE.

4. AUSTRALIANS ASKED A NUMBER OF QUESTIONS ABOUT SCENARIO FOR OECD COUNCIL DECISION TO ESTABLISH INTERNATIONAL ENERGY AGENCY UNDER OECD AUSPICES AND ANTICIPATED OVERALL RELATIONSHIP OF IEA WITH OECD. WE RESPONDED THAT ECG COUNTRIES NOW ENGAGED IN INTENSIVE LOBBYING EFFORT WITH ALL OECD COUNTRIES TO OBTAIN SUPPORT FOR ESTABLISHMENT OF NEW AGENCY. AS TO WHETHER TEXT OF DRAFT COUNCIL DECISION MAY YET BE MODIFIED, WE NOTED THAT WE EXPECT FINAL ECG MEETING AT END OF THIS MONTH FOLLOWING CURRENT SOUNDINGS WITH ALL OECD COUNTRIES TO AGREE ON DEFINITIVE TEXT AND RESOLVE ANY AREAS OF POSSIBLE CONTENTION. WE REITERATED OUR BELIEF THAT NEW AGENCY, WHILE UNDER OECD UMBRELLA, MUST REMAIN AUTONOMOUS. SUCH WOULD NOT PRECLUDE OECD FROM CONTINUING CERTAIN ACTIVITIES IN ENERGY FIELD, BUT IT IS OUR BELIEF THAT THE NEW AGENCY SHOULD BE THE PRINCIPAL FORUM FOR CONSUMER COUNTRY COOPERATION IN ENERGY FIELD.

5. FINALLY, AUSTRALIANS ASKED OUR VIEWS AS TO WHY AUSTRALIA SHOULD PARTICIPATE IN IEP. WE REPLIED WE ARE SEEKING AGREEMENT AS GEOGRAPHICALLY ENCOMPASSING AS POSSIBLE FOR BOTH ECONOMIC AND POLITICAL REASONS. WITH MORE COUNTRIES TAKING PART, LIKELIHOOD OF AN OIL SUPPLY INTERRUPTION IS LESSENER. AND OUR ABILITY TO WITHSTAND A SUPPLY CUTBACK IS ENHANCED AS DEMAND RESTRAINT MEASURES AND STOCKPILING COMMITMENTS ARE EXPANDED. FURTHERMORE, WE FEEL AUSTRALIA COULD CONTRIBUTE TO AND BENEFIT SIGNIFICANTLY FROM LONG-TERM COOPERATION PROGRAM, ESPECIALLY IN FIELDS OF CONSERVATION AND R&D. INGERSOLL
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